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FURTHER CORRESPONDENCE

RESPECTING

THE LEBANON

PART 3

January to December 1949

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FURTHER CORRESPONDENCE RESPECTING
THE LEBANON—PART 3

E. 16175/425/88

No. 1

POLITICAL SITUATION IN THE LEBANON
Recrudescence of Opposition Activity

(1)

Mr. Houston-Boswall to Mr. Bevin. (Received 22nd December)

(No. 135) *Beirut,*
Sir, *15th December, 1949.*

I have the honour to report that during the past two weeks there has been a marked recrudescence of Opposition activities in the Lebanon. As reported in paragraph 7 of my Political Summary for the month of November, four Deputies, Camille Chamoun, Kamal Jumblat, Suliman el Ali and Nassouh Aghael Fadl joined Abdul Hamid Karameh's extra parliamentary National Liberation Committee. On 3rd December Karameh announced that "in view of the disastrous turn taken by the Palestine situation the committee had decided to resume its activities."

2. It will be recalled that as a result of the understanding reached between Karameh and the Prime Minister towards the middle of June the former had agreed, in order to give the Government a free hand to deal with the Palestine situation, to suspend his anti-Government campaign—please see paragraph 4 of the enclosure to my despatch No. 81 of 26th June. This was followed after an interval by an attempt at a rapprochement between the Camille Chamoun and the President of the Republic; Chamoun was twice received by his Excellency, and on 27th October handed him a memorandum in which the grievances of the Opposition and the remedies suggested by them in the shape of far-reaching reforms were elaborated in detail. The President undertook to study the memorandum carefully and to discuss it further with its author. Owing to a minor, but unfortunate incident (connected with the publication of Chamoun's Memoirs), which occurred shortly afterwards and again served to estrange the two men, no further meetings took place and the gulf between the Government and the Opposition widened although an uneasy truce was maintained during the period of the U.N.E.S.C.O. Conference.

3. News that Chamoun had joined the National Liberation Committee and reports that that body was proposing to organise mass meetings caused concern in governmental and presidential circles, and the inevitable request was made to me to use my influence with Chamoun to moderate him and, if possible, effect a reconciliation between him and the President. The anxiety of the Government was to my mind fully justified. Karameh had undoubtedly consolidated his position in Tripoli and in North Lebanon generally, and it is probable that his Christian supporters in the mountains of North Lebanon would have served in the event of trouble to neutralise to some extent the influence of Government supporters in the area. Reports that Opposition elements in North Lebanon were arming were confirmed by Karameh himself. Furthermore, the Syrian crisis inevitably had an unsettling effect on the Lebanon, and the possibility of disturbances in North Lebanon and their spreading to other parts of the country could not be excluded. The position of the Government was, in comparison with this time last year, considerably weaker. The army was fully engaged on the southern frontier, where Jewish forces had occupied a number of Lebanese villages, and any attempt to prevent Opposition activities (such as a public meeting in North Lebanon) might have had serious consequences. The Prime Minister was away in Paris (he has still not returned) and the Acting Prime Minister was notoriously weak. Complaints of administrative inefficiency, nepotism and corruption had not lessened, and with the failure of the Arab policy in Palestine the Government could no longer point to any solid achievement in the field of foreign affairs. There was also the danger that if disturbances occurred Communists would infiltrate into the ranks of Opposition demonstrators

and exacerbate dissension for their own purposes.

4. When Camille Chamoun called on me early this month I accordingly took the opportunity of pointing out the dangers involved in precipitate action by the Opposition and advised him to make further attempts to secure reforms by normal means. Chamoun took the line that the Arab countries where the parliamentary machine did not function properly, fundamental changes of Government could only be achieved by violence or by British pressure. He, nevertheless, agreed to make another attempt to collaborate with the President of the Republic, if only the latter would give some indication that he was prepared to go some way to meet him. In general I found him, though far from optimistic, at least more reasonable and moderate than he had been in August; he realised that reforms could only be effected gradually and did not insist on the immediate dissolution of the Chamber.

5. I subsequently sent a message to the President of the Republic expressing my concern at the potential dangers of the situation and urged him to give further consideration to Chamoun's memorandum and the possibility of a further meeting with Chamoun and, if necessary, with other members of the Opposition. My message also stressed the irresponsible attitude of his Government over the Palestine question and the widespread discontent with the mismanagement of internal affairs for which, according to persistent rumours, members of his Excellency's own family and entourage were partly responsible. I later had an opportunity of speaking to his Excellency myself very seriously on similar lines and stressed that in his own interests and those of the country he should use his influence to unite the Lebanon particularly in view of the new unknown factor of a Jewish State on his southern frontier and

the disturbed conditions in Syria. On the whole his Excellency took this warning, which I emphasised was activated by most sincere friendship for the Lebanon and for his person, very well and said that he would certainly give further thought to Chamoun's memorandum on internal reform and would send for him again. As soon as his Prime Minister returned from Paris he would see what could be done.

6. I am not over optimistic, but nevertheless hope that the warning which has been given to the President will have some effect. It is probable that he will go some way to meet Chamoun (who was after all not so long ago one of his most trusted lieutenants) but I feel that he will have very great difficulty in overcoming his suspicion that other members of the Opposition, for example, Karameh and Naccache, not to mention the National *bloc* of Emile Eddé and his friends, are, under the cover of a campaign for internal reform, seeking to undermine the constitutional position of the President (who under the present Constitution has very wide powers) or that of Sheikh Bechara personally or both. The prospects of anything on the lines of a National or Coalition Government are therefore very slight. The position is further complicated by the fact that the attitude which Riad Solh will take on his return from Paris is not known (*i.e.*, whether he will resign or not) and also by the fact that the President believes that in opposition Riad Solh, although he has undoubtedly lost much of his influence, can make the position of any successor and of the President himself most uncomfortable.

I am sending copies of this despatch to His Majesty's Minister in Damascus and to the Head of the British Middle East Office.

I have, &c.

W. E. HOUSTOUN-BOSWALL.

(2)

Mr. Bevin to Mr. Houstoun-Boswall (Beirut)

(No. 16)
Sir,

Foreign Office,
14th January, 1949.

Your despatch No. 135 of 15th December, 1948, reporting a recrudescence of activity by the Lebanese Opposition has been read with considerable interest in this Department. I approve the action you have taken

in advising M. Chamoun to exercise restraint and the Lebanese President to consider measures of internal reform; and I shall be interested to hear of any further developments.

I am, &c.

ERNEST BEVIN.

LEBANON: ANNUAL REVIEW FOR 1948

Mr. Houstoun-Boswall to Mr. Bevin. (Received 14th February)

(No. 17. Secret)
Sir,

Beirut, 6th February, 1949.

I have the honour to transmit to you herewith a review of the situation in the Lebanon in 1948, for which I am indebted to Mr. T. E. Evans.

I have, &c.

W. E. HOUSTOUN-BOSWALL.

Enclosure in No. 2

Summary of Events in the Lebanon during the Year 1948

The year 1948 proved to be an eventful one for the Lebanon. In internal politics the presidency of Sheikh Bechara el Khoury was renewed for a further term and the régime was thereby strengthened, at least in appearance. On the other hand, the Opposition, too, was undoubtedly strengthened and its activities increased. In foreign affairs the outstanding events were the signature by the Lebanon of the monetary agreement with France (rejected by the Syrians) and the decision to join with the other Arab States in armed intervention in Palestine. The former and also the successful staging in Beirut of the Third General Conference of U.N.E.S.C.O. represented considerable successes for the Government, but the disastrous outcome of Arab efforts in Palestine completely overshadowed everything else and had serious repercussions on the internal situation. The Government could no longer set off their failings in internal administration by success in foreign policy. It is noteworthy, however, that in face of the virtually critical situation in which the country found itself during the last few weeks of the year it showed signs of a power of resilience, if not of recuperation, which were encouraging, and the Government were seriously reconsidering their position as regards both foreign and domestic affairs.

2. In the last nine months of the year the Palestine question almost completely dominated the Lebanese scene, and it is no exaggeration to say that its developments profoundly affected almost every important issue ranging from the re-election of the President and the tactics of the Opposition

to the fate of the Franco-Lebanese financial agreement and the resultant strained relations between Syria and the Lebanon. The first phase, which lasted until the meeting of the Political Committee of the Arab League in Damascus early in May, when it was decided that the Arab armies would intervene in Palestine, was in general a period of uneasy expectation—Lebanese Christians on the whole showing little enthusiasm for the cause of Palestine and Moslems not concealing their concern at the ineffectiveness of the measures taken. The Deir Yassin massacre and the Arab collapse in Haifa, which was followed by the arrival in the Lebanon of some 20,000 refugees, stirred both the public and the Government. Beirut, and in particular the American University, was the scene of popular demonstrations and strikes, and on the Government level the Damascus meeting of the Political Committee of the Arab League was quickly followed by the visits of the Lebanese and Syrian Prime Ministers to Riyadh, of the Regent of Iraq to Cairo, and by the meeting of the Syrian and Lebanese Presidents with King Abdullah. A state of emergency was declared on 14th May, and the Minister for Foreign Affairs handed to diplomatic representatives in Beirut copies of a memorandum in which he justified the Arab policy of armed intervention on the grounds that the Arab League as the regional organisation under the terms of the United Nations Charter was responsible for the maintenance of law and order in Palestine. In view of the inadequacy of the Lebanese armed forces, however, their contribution was confined to defence and to the containing of the Jewish forces along the frontier—a rôle which served to allay the doubts of the Christians and at the same time give satisfaction to Moslems who wished to see the Lebanon play her part. The second phase coincides with a period, albeit short, of Arab successes, *i.e.*, from 15th May to 1st June, when the first truce was accepted, and was marked by considerable optimism and confidence in the future. Although the appointment of the United Nations mediator gave rise to some hope, doubts as to the expediency of the truce were not lacking at the time of its

acceptance, and in retrospect most politically-minded Lebanese are convinced that it was a mistake from the Arab point of view. However that may be, the first truce marks the beginning of a period, the third phase, of increasing disillusionment culminating in the realisation of failure. The reverses which quickly followed the resumption of hostilities and the acceptance of the second truce in the third week of July seriously undermined morale; Jewish successes in the Negeb and in Galilee during October, the subsequent occupation by the Jews of a number of Lebanese villages, and the largely negative results of the Paris meeting of the United Nations Organisation brought home even to the Nationalists the hopelessness of the situation, and there was a widespread desire for peace almost at any price. The decision of the Arab League in September to set up an Arab Government for all Palestine and the subsequent establishment of the "Gaza Government" were, it was felt in many quarters, little more than face-saving devices of doubtful utility. Similarly, the delaying tactics of the Arab delegations in Paris, and not least of the Lebanese delegation headed by the Prime Minister, failed to inspire much confidence either with the public or with the Government. Nevertheless, the President obstinately refused to instruct the Lebanese delegation to adopt a more moderate policy, and there is little doubt that the President had given his Prime Minister virtually *carte blanche* in the matter, and that he was not prepared to go back on his word. Early in December, however, there were indications that the President was uneasy, particularly in view of the Egyptian attitude towards King Abdullah following the Jericho Conference, and that advocates of a more realist policy, the most prominent of whom was perhaps Habib Abi-Chahla, were making progress. On his return from Paris Riad Solh, partly, no doubt, in order to gain time in view of the failure of his own policy, gave his blessing to the new line, and at the end of the year arrangements were being made for a meeting between the Lebanese and Syrian Presidents, at which it was hoped to persuade the Damascus Government of the need for a new orientation. On 27th December a secret meeting between Lebanese and Jewish officers to arrange an armistice and the evacuation of Lebanese villages occupied by the Jews took place in the presence of United Nations observers but proved abortive.

3. Although the part played by the Lebanon in the military field was negligible, her contribution to the political sphere was considerable, possibly even decisive. The leadership of Riad Solh, in particular, was an important factor. He not only played an important part in the making of Arab League decisions, but was probably to a large extent responsible for the meetings between King Abdullah and the Syrian President and between the Regent of Iraq and King Farouk, both very necessary preliminaries to joint Arab action. It is probable also that his influence with the other Arab delegations in Paris during the autumn meeting of the United Nations Assembly was, with whatever unfortunate results, predominant. Thus, in general, the Lebanon not only faithfully followed the Arab League's Palestine policy, but also contributed in no small measure to the league's, unfortunately extremist, leadership.

4. In spite of the Palestine question, which, as on all other issues, had a profound effect on Anglo-Lebanese relations, these relations lost virtually nothing of the cordiality which has marked them during the last few years. During the first few months of 1948, Riad Solh continued his efforts to provide a basis for Anglo-Arab understanding. The Iraqi reaction to the Portsmouth Treaty came as a considerable shock, but Riad Bey hinted that this could have been avoided had the treaty been made under cover of an over-all understanding under the auspices of the Arab League. At the March meeting of the Political Committee at Damascus he proposed that the Arab Governments should agree amongst themselves as regards their requirements, and under the cover of this agreement reach individual settlements with His Majesty's Government and, if necessary, with the United States Government. His Majesty's Minister, on instructions, expressed to the Prime Minister the appreciation of His Majesty's Government of his efforts, explained the requirements of His Majesty's Government as regards defence in the Middle East, and at the same time warned him that any Arab League decision should not imply the contrary. The Prime Minister emphasised that from the Arab point of view the question of form was vital and suggested that something on the lines of the Anglo-Turkish treaty might be worked out. Owing to developments in the Palestine question little progress was made and it was not until the autumn, when Arab

reverses caused serious anxiety, that the question of Anglo-Arab agreements and, in particular, of an Anglo-Lebanese treaty, came up for further examination. At a secret meeting of the Chamber on 10th November a treaty was openly advocated, and there were few dissentient voices. Younger Nationalists, especially the Nida el Qaumi Party, which though critical of the Government is closely associated with Riad Solh, were similarly working for a more realist policy and for an Anglo-Arab understanding (based on ideas of national sovereignty less out of date than those of older Nationalists like Riad Solh) and a delegation representing the party visited various Arab capitals with a view to winning support for their ideas. It is also noteworthy that the so-called pro-French elements tended to moderate their opposition in principle to an Anglo-Lebanese treaty. Although no official approach was made by the Lebanese Government, it was generally realised that the time was almost ripe for the establishment of Anglo-Lebanese friendship on a more formal basis. As regards Palestine, British representations warning the Arabs against intervention before the end of the mandate, were on the whole well received, and there is no doubt that Arab leaders were anxious, even at the risk of considerable cost to themselves, to avoid making difficulties for His Majesty's Government. On the other hand, British advice on the eve of the termination of the mandate that the Arabs were not in a position militarily, politically or economically to wage a long war was unheeded. Nevertheless, British prestige and popularity reached a high level during the short period of Arab successes. His Majesty's Government's attitude—refusal to recognise Israel, the closing of the port of Haifa to Jewish immigration, and the stand taken by the United Kingdom representative on the Security Council—caused great satisfaction. Feeling changed quickly, however, following British support for the Security Council resolution calling for a cease-fire and for an arms embargo, and the British sponsoring of Arab refugees, and the gift of £100,000, though well received, did little to re-establish British popularity. His Majesty's Government's support for the Bernadotte plan announced in September was also much criticised both in principle, since the Government was not yet reconciled to the policy of "cutting losses," and in detail, since the allocation of Galilee to the Jews made Israel an immediate neigh-

bour of the Lebanon. Efforts to induce the President and Government to instruct the Prime Minister to support even indirectly by abstention or withdrawal before the vote the British draft resolution based on the Bernadotte plan proved unavailing, and on 9th December His Majesty's Minister, on instructions, bluntly informed the Minister for Foreign Affairs *inter alia* that Arab opposition to the stronger parts of the resolution was highly irresponsible. There is little doubt that this language and a subsequent communication in equally forceful terms in reply to a Lebanese request for British assistance to secure the evacuation of Jewish-occupied villages in South Lebanon did much to shake the complacency of the Government and prepared the way for a change of policy. On the other hand, the Minister for Foreign Affairs showed himself amenable to British advice as regards the so-called Gaza Government, and resisted Egyptian pressure to secure a lead from the Syrian and Lebanese Governments as regards recognition, and in the event the Lebanon declined to move until Egypt and Iraq had done so. Similarly, as regards ex-Italian colonies, the Minister for Foreign Affairs expressed agreement with His Majesty's Government's views and undertook to recommend that the British proposals should be supported. It is noteworthy that not only did Anglo-Lebanese relations lose nothing of their cordiality during the year, but that the Lebanese Government continued to seek the advice and assistance of His Majesty's Legation and, except on issues affecting Palestine generally, to follow such advice. Thus, early in the year, in connexion with the delicate situation arising from the signature of the Franco-Lebanese financial agreement and the resultant differences between Syria and the Lebanon, the Prime Minister sought the good offices of His Majesty's Government both in Damascus and in Paris. Even in internal affairs the advice of His Majesty's Legation was frequently sought (see paragraph 9 below).

5. Lebanon's relations with its Arab neighbours were, as was inevitable, profoundly affected by developments in the Palestine question. As already indicated, the Lebanon faithfully followed the policy of the Arab League and, in general, accepted Egyptian leadership. The policy of aloofness from Hachemite and anti-Hachemite rivalries, which had been a source of strength in the previous year, was unfortunately abandoned. Towards the

end of the year, however, doubts regarding the adequacy of the Arab League were felt even in Government circles, and instances of Lebanese reluctance to follow Egypt's lead were not lacking. Reference has already been made to resistance to Egyptian pressure in connexion with the Gaza Government and the Jericho decisions. In the latter connexion the Minister for Foreign Affairs gave an assurance at a secret meeting of the Chamber on 19th December that the Lebanon's attitude would be one of neutrality, and a message sent to King Abdullah was couched in moderate terms. This resulted in a considerable improvement in relations between Beirut and Amman, and the efforts of the Transjordan Minister to remove the mutual suspicions of King Abdullah and the Lebanese President were at least partially successful, in spite of continued Lebanese concern at His Majesty's Greater Syria ambitions. Arab reverses in Palestine in the spring had gone a long way to discredit the Mufti and indirectly to enhance King Abdullah's influence, and His Majesty's prestige reached a high level when it became known that the Arab Legion would join with the other Arab armies in the Palestine campaign. In July the Emir Khaled Chehab, a former Prime Minister, was appointed Lebanese Minister in Amman. The fall of Lydda and Ramleh, however (no mention was made of the legion's valiant stand at Latrun and in Jerusalem), and the interpretation of King Abdullah's subsequent realist attitude as treachery, served to reduce his stock among Lebanese Nationalists until towards the end of the year it became apparent that his policy had more to recommend it than that of his critics. Lebanon's relations with Syria during the year were, mainly owing to the differences arising from the Franco-Lebanese financial agreement, largely unsatisfactory. As a result of Lebanese acceptance and Syrian refusal of the French terms, the frontier between Syria and the Lebanon was closed to goods and currency from 2nd to 19th February, and the fate of the Syrian-Lebanese Customs Union hung in the balance. The Syrian and Lebanese Prime Ministers agreed during the meeting of the Arab League Political Committee in Cairo to restore the *status quo ante* until 15th March and in the interval to continue negotiations for agreement, and the resultant disparity in the exchange rate of the Syrian and Lebanese currencies was incompatible with the Customs Union.

The Lebanese held the contrary view, but it was known that the Lebanese Prime Minister would have preferred to have resigned (which would have probably meant the non-ratification of the agreement) rather than break with Syria. Efforts by Azzam Pasha to bring about agreement were unsuccessful, and it was only the intervention of King Ibn Saud at the end of March that made possible an extension of the *modus vivendi*. It was agreed to call in a foreign expert, and M. Van Zeeland recommended that, subject to minor modifications, the agreement should be accepted, but that the Customs Union should also be maintained. Owing to the Palestine issue, interest in the dispute waned and the *modus vivendi* was subsequently extended on three occasions. Desultory negotiations continued until the end of the year, but without result as the policy of imports restriction demanded by the Syrians and the policy of virtual free trade insisted on by the Lebanese made agreement almost impossible. As part of their policy to remove as far as possible restrictions on trade, the Lebanese Government in November issued a decree legalising the free market in foreign exchange. Prospects brightened, however, with the formation of the Khaled el Azm Government in Damascus in December and the consequent likelihood of the conclusion of a Franco-Syrian financial agreement.

6. There was a marked improvement in Franco-Lebanese relations during the year. The conclusion of the financial agreement (signed on 30th January and ratified by the Lebanese Chamber on 30th August) removed almost the only differences outstanding between the two countries. It settled the question of French properties and maintained the guarantee of the franc backing of the Lebanese currency. There is no doubt that in many respects it represented a generous settlement on the part of the French, although there is equally no doubt that their generosity was not entirely disinterested. Towards the end of the year there was evidence of renewed French activity in the political field in the Lebanon. In the economic sphere the French strengthened their already predominant position. Speculation in the press regarding an Anglo-Lebanese treaty caused considerable uneasiness to the French authorities in Beirut, and M. Bidault, who headed the French delegation to the Third General Assembly of U.N.E.S.C.O., is known to have informed the Lebanese that such a

development would not find much favour with the French Government. It is significant that M. Bidault devoted most of his time during his stay in the Lebanon to political contacts with Lebanese politicians and notables.

7. American recognition of Israel on the termination of the mandate came as a great shock and dealt a heavy blow to United States popularity in the Lebanon. Owing to the non-ratification of its convention with Syria, the Trans-Arabian Pipe-line Company's activities in the Lebanon remained suspended throughout the year, and as a result the increase in American influence, which, it was expected, would become marked once the company commenced its operations, did not materialise. American shipping companies also experienced considerable difficulty whenever their vessels called at Beirut after visiting a Jewish port and have been compelled to institute separate services for the Lebanon and Israel. But in spite of the disadvantages under which they laboured as a result of the general support of the United States Government for Israel, the Americans have been able in no small measure, as a result of the personal popularity of the United States Minister, to retain their influence, and there is evidence of considerable activity on the part of the United States Legation even in the field of Lebanese internal politics. It is also noteworthy that the United States Minister has shown interest in the strategic potentialities of the Lebanon, and that he has had some informal conversations on the subject with the Lebanese authorities.

8. The Lebanese Minister to Moscow returned to Beirut in the spring and had by the end of the year not rejoined his post. He has, in fact, though still nominally accredited to the U.S.S.R., been given an appointment in the Ministry of Defence. The Russian Minister left Beirut for Moscow in the summer, but returned rather unexpectedly to Beirut in December. The anti-Communist measures taken by the Lebanese Government (see paragraph 10 below) and Russian support for Israel have virtually excluded the possibility of more cordial relations between the two Governments.

9. As regards internal affairs, differences between Syria and the Lebanon as a result of the Lebanese signature of the financial agreement with France gave rise to serious difficulties during the first few months of

the year. While Moslems, including the Prime Minister, were in general convinced that the financial advantages of the agreement were outweighed by the political and economic disadvantages of a break with Syria (they were also particularly critical of the provisions concerning concessionary companies), Christians, including the President, were determined to go through with the agreement even at the cost of rupture with Syria. For the first time since the Lebanon achieved its independence, the country was split on a confessional basis, and the main political division was Christian *versus* Moslem. The murder in the early summer of six Christians by Shias of the unruly Dendesh tribe (who then took to the hills and successfully defied the Government until the end of the year) also revived communal feeling. But thanks to the considerable forbearance shown both by the President and by the Prime Minister and to the fact that, as attention became focussed on Palestine, interest in the dispute with Syria diminished, a potentially dangerous situation was avoided. It is not improbable that the President and Prime Minister struck a bargain on the basis of a free hand for the Prime Minister as regards Palestine in return for the ratification of the Franco-Lebanese agreement. Early in April a movement was discernible in the Chamber for the revision of the Constitution in order to enable the President to be re-elected for a second term of office. Camille Chamoun, who returned from Lake Success shortly afterwards, made it clear that, while he was not opposed to the re-election of the President, he required guarantees that reforms would be effected during the second term of office. As these were not forthcoming, he resigned from his post as Minister of the Interior. On the same day the Chamber, by an overwhelming majority, voted for a change in the Constitution, and a week later Sheikh Bechara el Khoury was re-elected for a second term, a year before his first term had elapsed. It should be noted that the circumstances were particularly favourable to Sheikh Bechara. His stand against Syria over the monetary agreement had temporarily won him the support of virtually all Christians, and his attitude to the Palestine question was, from a Moslem point of view, beyond reproach. From this moment there was a marked increase in the activities of the Opposition, in which Chamoun played an important part. The activities of the Government in foreign

affairs particularly, their conduct of the Palestine question and their inactivity as regards internal reforms were, until the end of the year, the targets of Opposition attacks. In June Chamoun contacted not only Pierre Gemayel, the leader of the Lebanese Phalangists, but also Emile Eddé. At the same time Abdul Hamid Kerameh and Henri Pharaon concerted their efforts. Following a meeting between the Prime Minister and Kerameh, however, the latter publicly declared that the Palestine question had to take precedence over internal politics. In spite of this set-back, however, Chamoun persisted in his efforts and turned his attack on to the Government's Palestine policy and, in particular, the acceptance of the truce. During July and August great efforts were made by the Prime Minister to neutralise the activities of the Opposition. The Cabinet was reshuffled on 26th July, a new Press Law abolishing the administrative suspension of newspapers was hurried through the Chamber, and a half-hearted attempt was made at internal reform—179 officials were dismissed or made to resign on the ground that they were inefficient or had passed the age limit, and changes in the ranks of the higher officials, including the Director-General of the Interior and the head of the Sûreté, were effected. These efforts were only partially successful, and at the end of August Kerameh issued a warning that his Committee of National Liberation would renew its activities in spite of Palestine if reforms did not materialise. In September the Opposition boycotted the by-elections held to fill the vacancies caused by the death of Sheikh Farid Khazem and the resignation of Sheikh Selim el Khoury, the brother of the President. Nevertheless, shortly afterwards an attempt at reconciliation was made and Chamoun was twice received by the President. At the second meeting Chamoun submitted a memorandum on reform, which the President undertook to study. Nothing concrete emerged, however, and at the end of November Camille Chamoun, Kamal Jumblat, Suleiman Ali and Nassouh Agha Fadl (all members of the Chamber of Deputies) joined the National Liberation Committee, and early in December Kerameh announced that in view of the disastrous turn taken by the Palestine question the committee would renew its activities. These developments, coinciding with the political crisis in Syria, which had an unsettling effect on the Lebanon, caused considerable concern, and

the possibility of disturbances, particularly in North Lebanon, could not be excluded. At the request of the Government His Majesty's Minister used his influence to moderate Opposition elements, but at the same time seriously warned the President of the danger of ignoring public opinion and the demand for reform. As a result, meetings took place between the President and Pierre Gemayel and between the Prime Minister and Henri Pharaon, and at the end of the year it was known that the Government were seriously considering ways and means of effecting reforms, including the modification of the Electoral Law, the establishment of a State audit and the reorganisation of the civil service. The President, however, adamantly refused to consider the dissolution of the Chamber (the main demand of the majority of the Opposition) and his attitude towards Camille Chamoun visibly hardened.

10. The anti-Communist measures contemplated by the Government at the end of 1947 materialised in the following January when the headquarters of the Communist parties and of subsidiary organisations, such as the Society for Cultural Relations between the Lebanon and U.S.S.R. and the Union of Syndicates, were closed and their activities prohibited. A warrant was issued for the arrest of Nicola Shawi, president of the Communist Party, and he and other leading Communists were in hiding until the end of the year. Later court proceedings were instituted against Mustapha el Ariss, head of the Communist-controlled Union of Syndicates. The case was allowed to drag on, but it had at least the effect of preventing Ariss from going to Italy to attend the World Federation of Trades Unions Conference. In November he was arrested for his part in organising during the Third General Conference of U.N.E.S.C.O. a demonstration in protest against the detention of Communists who had been arrested in May under the emergency powers assumed by the Government on the eve of the Palestine campaign. At the end of the year he was still in prison awaiting trial.

11. The outstanding features in internal affairs during 1948 were, on the one hand, the continued pre-eminence of Riad Solh (already beginning the third year of his premiership) among Moslem politicians and of President Bechara el Khoury among Christians, and the maintenance of the close alliance between the two; and, on the other hand, the strengthening of the

Opposition and the increase of its activities. The estrangement between the President and his influential relatives, Henri Pharaon and Michel Chiha, dating from the elections of May 1947, was intensified. Chamoun, who in 1947 had allowed himself to be completely outmanoeuvred, somewhat improved his position, and in North Lebanon Opposition elements under Kerameh's leadership were consolidated. Even Emile Eddé, after five years of political ostracism, dared to raise his head.

12. In the economic sphere the good start made in the previous year with the Sir Alexander Gibb and Partners' Survey has unfortunately not been followed up, and no action has been taken on the report, which was completed and handed to the Government in March. Some progress, however, has been made in connexion with the granting of a concession for large-scale hydro-electrical development—a project in which a British firm, Metropolitan-Vickers, are showing interest. The Robson Report on Social Insurance has also been followed by a visit to the United Kingdom by the Director-General of Justice, who at the end of the year was preparing legislation for a modest scheme. It is noteworthy that two experts of the International Bank visited the Lebanon in the course of September in connexion with the possible granting of a loan for development purposes. Fortunately the difficulties experienced early in the year in connexion with wheat supplies were overcome as a result of the good harvest and arrangements made for the import of cereals from

abroad, but this improvement was largely offset by serious difficulties in the supply of petroleum products following the closing of Haifa refinery. As a consequence of the Palestine war the summer tourist season was disastrous. Nevertheless, it is significant that, in spite of these difficulties and of the presence at the end of the year of over 80,000 Palestinian refugees, little social or labour unrest occurred during the period under review. This is probably due at least in part to the anti-Communist measures taken by the Government and by their efforts to encourage non-political trade unions.

13. On the whole 1948 proved to be a year of great difficulties and disappointments for the Lebanon, particularly in the political field, both external and internal. There is no doubt that little progress can be achieved in the social, economic or even administrative field until a solution of the Palestine question is found and the Lebanese Government are in a position to devote their energies to home affairs. In spite of the indications of a more realist attitude on the part of the Lebanese Government, which became apparent towards the end of the year, the prospects of real stability, without which solid progress is virtually impossible, are far from good, even if some compromise is reached in Palestine. Much must depend on the behaviour and future policy of the Zionists, whose aggressive colonisation has forced the State of Israel on a reluctant Middle East.

E. 2408/1112/88

No. 3

SOURCES OF WEALTH IN THE LEBANON

Mr. Houstoun-Boswall to Mr. Bevin. (Received 21st February)

(No. 25 E. Restricted)

Sir, *Beirut, 7th February, 1949.*

I have the honour to refer to your despatch No. 34 (ref. E 13800/244/80) of 29th January about invisible earnings in the Lebanon.

2. I regret that owing to a typing error Mr. Evans's despatch of 21st October, 1948, referred to "vast but largely *improved* invisible earnings," whereas it should have referred to "vast but largely *unproved* earnings." These earnings were regarded

as unproved because although there are concealed sources of wealth in this country there has so far been no reliable estimate of their precise nature and extent.

3. The invisible sources of wealth in the Lebanese economy may be considered under various headings, certain of which are invisible earnings in the proper sense and others which might be more correctly regarded as hidden capital. The first, and in recent years the principal sources of such wealth derives from the large war-time

profits of the local business community. The expenses of the Allied armies in the Lebanon and Syria during the war have been estimated by local experts at about £100 million, and as the purchase and transfer of sterling was free from June 1943 to March 1946 about £20 million of these funds were safely placed abroad. Since 1946 the free-market price of sterling and certain other currencies has steadily advanced with the result that holders of foreign currencies are now able to make them available at a considerable profit. I am not prepared to assert that this is an "invisible earning," properly speaking, since that would depend on the currencies involved in any given transaction, but there certainly must, for example, be a profit in sterling for anyone who wishes to convert to sterling from dollars at present, and substantial profits in local currency can be obtained by those who wish to liquidate part of their savings for local expenditure. While it is impossible to specify the exact form of these currency transactions it might be stated as a rough guide that French francs have been sold in the neighbouring countries for the purchase of French goods and for tourist expenditure in France, sterling has been used to purchase dollars, and dollars to purchase imports, including gold. War-time balances began to be utilised in 1946 and have been decreased by about £4-5 million per year, so their ultimate exhaustion in 1950 has been envisaged.

4. Lebanese emigrants abroad, numbering about a million, have always been a profitable source of revenue to the country on account of the remittances sent from abroad. In the years 1919 to 1939 these remittances amounted to about 1 million Turkish gold pounds annually, and estimates of post-war remittances put the figure now at about 45 million Lebanese pounds (say, 5 million sterling) per year during 1947 and 1948. Formerly these remittances were operated through normal banking channels, but now, in an endeavour to evade currency regulations and to profit from the differences between official and free-market rates of exchange they are sent in the form of cheques and overseas credits, which help to feed the local free money market, and in the form of goods. They consist largely of dollars and dollar goods.

5. In normal times the Lebanon benefited from its tourist industry, but owing to the Palestine situation this, for the time being,

must be considered only as a potential source of wealth since the majority of the tourists came from Palestine, Egypt and Iraq. Receipts from tourism were therefore negligible in 1948. The peak season was in 1938, when over 18,000 foreign tourists visited the Lebanon bringing in a revenue estimated at 1 million Turkish gold pounds, equal to 12 million Lebanese pounds at 1938 rates and 36 million at present rates. 1947 was by comparison a poor season with tourist receipts totalling only 13 million Lebanese pounds, of which 7 million represented local currency expenditure by Syrians. It is noteworthy, however, that the universities, schools and hospitals established in the Lebanon have continued to be a source of wealth to the country. Considerable sums of foreign currencies are derived not only in the form of subsidies from the foreign philanthropic bodies which sponsor many of these institutions, but also in the form of fees from students, who come to the Lebanon from all parts of the Middle East to attend these establishments.

6. Perhaps the most important source of invisible earnings in the post-war years has been the traffic in gold and foreign currencies. Beirut has recently become one of the chief transit centres in the movement of gold between West and East. In the period 1935 to 1938 inclusive, the officially recorded imports of gold into the Lebanon and Syria averaged only 3.1 metric tons per year, whereas in 1946 and 1947 the figures were 18 and 17.4 tons respectively; in addition, gold passed through the two countries in transit to the value of 42.6 million Lebanese pounds in 1947 alone. In 1946 and 1947 gold and precious stones were, by value, the second largest retained import of the Lebanon and Syria. Corresponding export figures do not amount to more than 20 per cent. of the values of imports, but despite this it is not believed that these large post-war imports have in fact been retained. The majority of the gold imported is re-exported clandestinely to the Far East via the Persian Gulf and India, usually against payment in dollars effected through Saudi Arabia. In addition to the official figures for retained imports and transit there are numerous concealed imports and transit deals in gold, probably greater in amount than the officially recorded figures, but their precise extent cannot be determined. Transactions in gold usually show a substantial profit, and a local authority

recently informed the commercial secretary that the profit in gold and currency transactions must have been at least £2.5 million for each of the years 1947 and 1948.

7. A further source of concealed profit, although it cannot properly be classed as an invisible earning, is provided by the aptitude of local traders for indulging in multi-lateral currency transactions. This might best be illustrated by an example given some time ago by a local business man who was asked to explain why goods from Czechoslovakia were reaching this market in such substantial quantities. He quoted an hypothetical case of a consignment of goods from Czechoslovakia valued at \$4,000. He then explained that the free-market cross-rate between sterling and dollars in Czechoslovakia was \$3 to £1, whereas here it was 3.2, so that by using sterling here to obtain his dollars he would be able to save about 8 per cent. on the f.o.b. cost. Furthermore, by declaring the value of the goods for customs purposes at the official rate of exchange, and not at what he actually paid in local currency he was able to save about 25 per cent. of the customs duty payable. He concluded by saying that it was by such methods that the Lebanese merchants maintained their prosperity and that they would be the first to suffer if a return was made to the pre-war freedom of international trade, as they are at present benefiting by their skill in evading restrictions.

8. The handling of goods between East and West is the main activity of the urban communities in the Lebanon, and many of the leading local business houses have branches in other countries, which they supply with goods passing in transit through Beirut. It is inconceivable that the Lebanon alone could consume the volume of goods arriving in Beirut, and the substantial transit trade yields its commission on each transaction. An official estimate puts the profit accruing to Beirut merchant houses from transit trade at about £3 million for 1948, a substantial proportion of this being due to the present decline in traffic at Haifa.

9. Much is heard of the Lebanon as one of the main sources of hashish for the Middle East, and there is no doubt that a profitable smuggling industry does exist; several local fortunes are said to be based on the profits of the hashish trade. Naturally no figures are available and no reliable estimate can be obtained beyond the fact that hashish is an important clandestine export from the Lebanon.

10. At present there is some influx of capital due to the expenditure in the Lebanon of foreign companies, chief among them the Iraq Petroleum Company, whose local expenditure has recently been in the region of £250,000 monthly in connexion with work on the new pipe-line to Tripoli, the establishment of local headquarters there, and the extensions to the terminal refinery. The signature by the Syrian Government of the agreement with the Trans-Arabian Pipe-line Company has revived Lebanese hopes of a large dollar income from that source as the line will cross, and terminate in, Lebanese territory. The tentative commencement of operations by the American company a year ago produced a perceptible effect on the local economy, and if work begins in earnest this year it should considerably add to the country's foreign exchange resources.

11. Another source of wealth has been the influx into the Lebanon during 1948 of Syrian merchants and Palestinian refugees. At the beginning of last year when the economic future of Syria and the Syrian currency appeared to be in doubt and when there was a possibility of Syria pursuing a controlled and isolationist economy, a number of Syrian merchants from Damascus and Aleppo sought to protect themselves by establishing branches in the Lebanon. Accordingly, about 600 members of the Syrian business community began operations here or acquired interests in Lebanese firms last year and transfers of capital for this purpose, mostly in gold, amounted to about £1 million. Of the approximately 100,000 Palestinian refugees in the Lebanon about 10,000 are persons of some substance who were able to bring with them gold and valuables and who possess Palestinian funds and overseas holdings of foreign currency. About 2,000 are already established in business here. Capital brought into the Lebanon as a result is estimated at about £3 million, although this is a non-recurring item and must be balanced by the expenditure on refugees who are destitute.

12. The question raised in your despatch is one to which no precise or satisfactory answer can be given without detailed expert investigation, and the foregoing can only be taken as a rough guide to the concealed earnings of this country. Certain of the ground has been covered by the studies of the Société Libanaise d'Économie Politique, but their conclusions and estimates, upon which I have based certain

portions of this despatch, cannot be checked by reference to any other source. For ease of reference, I annex a short tabular summary of the main headings of the Lebanon's invisible earnings, but it should be borne in mind that it can be no more than a tentative and inexperienced voyage into hitherto largely uncharted waters.

I am sending copies of this despatch to His Majesty's Minister at Damascus and to the head of the British Middle East Office.

I have, &c.
W. E. HOUSTOUN-BOSWALL.

* Non-recurring items.

Enclosure

ANNEX	£m.
	per annum
Utilisation of war-time earnings abroad*	5
Emigré remittances	3.5
Tourist traffic (normal year)	1.5
Gold and currency dealings	2.5
Profits of entrepôt trade	3
Exports of hashish	.5
Imports of foreign capital, Palestinian, Syrian, &c.*	5
	£m.21

E 8980/1902/88

No. 4

LEBANON: HEADS OF FOREIGN MISSIONS

Mr. Houstoun-Boswall to Mr. Bevin. (Received 22nd July)

(No. 70. Confidential) Beirut,
Sir, 13th July, 1949.

I have the honour to transmit to you herewith a report on the Heads of the Foreign Missions in Beirut.

I am sending a copy of this despatch to His Majesty's Chargé d'Affaires at Damascus.

I have, &c.
W. E. HOUSTOUN-BOSWALL.

Enclosure in No. 4

Heads of Foreign Missions in the Lebanon, 1949

(Passages marked with an asterisk are reproduced from previous reports)

Argentina

M. Francisco Arias Cuenca, Minister (15th November, 1948).

Quite a pleasant and affable little man who was, I believe, legal adviser to the Ministry for Foreign Affairs before coming here. He and his wife speak a certain amount of French. I have heard it said that his family is of Jewish origin, but as his wife is an exceptionally clever and indefatigable jazz pianist, any such suspicion has not prevented them from assuming quite a nice position in Lebanese society.

Belgium

Count Geoffrey d'Aspremont-Lynden, Minister (22nd December, 1946).

Also accredited to Syria.
*Quite a nice man with a vague and pleasant wife. He has a certain amount to do here as his country has several big commercial interests. I like what I have seen of him, but have not seen much. (Written in 1947.) They do not improve on acquaintance, are evidently very superficial. (Written in 1948.)

Brazil

M. Carlos Martins Thompson-Flores, Minister (10th August, 1948).

Also accredited to Syria.
A very agreeable colleague of the forthcoming type but as he has no real work to do here, what issues from him is mostly of a pleasant social nature. His wife is a handsome, affable lady who speaks French. The Minister also speaks a little English. They live next door to us and are good neighbours.

Chile

M. Luis E. Feliu, Minister (22nd February, 1949).

A rather dreary-looking but quite friendly soul who occasionally laughs. He lives with his somewhat dull and dowdy wife in a hotel as he cannot be bothered to keep house. I gathered from him that Mme. Feliu was not at her best handling servants. He tells me he has nothing to do, but he does it agreeably.

Colombia

Dr. Rodolfo Garcia Garcia, Minister (14th June, 1949).

I have seen him and his wife. Both look pleasantly normal. For some reason or other (which certainly cannot have been pressure of work) he has omitted so far to pay me the normal courtesy visit, so I have had no opportunity to cultivate his acquaintance.

Czechoslovakia

M. Karel Stanek, Chargé d'Affaires, a.i. (10th November, 1945).

Also accredited to Syria.
A man of paternal and benign appearance, though he is said to be an ardent exponent of Communism and works in the closest touch with the Russians, from whom he doubtless gets his orders. He knows the country and conditions very well having been here nearly four years. He has a wife but I do not recall meeting her.

Egypt

Mohamed Wajih Rustom Bey, Minister (25th January, 1949).

An agreeable man of rubicund appearance and a genial manner. To talk to he appears to be sensible

and moderate and is at all times very friendly indeed. I am not quite sure, however, whether he may not be, at least to a mild extent, something of a *faux bonhomme*, though I like what I have seen of him. He has served in London and was, I think, at one time Secretary-General for Foreign Affairs. His second wife, whom he married fairly recently, is a well turned out, attractive woman, a good deal younger than her husband and, I should imagine, comfortably endowed. They do things well.

France

Count Armand du Chayla, Minister (7th July, 1946).

A bachelor of about 53 who, being almost a physical culture maniac, does not look his age. He is well turned out, does things well, entertains on a lavish scale and probably has money of his own. He has the reputation of having a good war record in the French Resistance movement. He is superficially an agreeable and friendly colleague but he is not co-operative and on the rare occasions when I have tried politics with him has shown a tendency to brush the whole thing aside as though it didn't matter. He is politically fanatical on the side of the Christian element in the Lebanon and makes a great show of visiting the Maronite hierarchy, ostentatiously attending Masses, and so on. He does not conceal his contempt for the Moslems. He has a good position in rich Lebanese society.

Greece

M. Nicolas Hadji Vassiliou, Chargé d'Affaires, a.i. (20th August, 1947).

Also accredited to Syria, Iraq and Transjordan.
*An affable and rather self-important busybody, who is always very obviously on the lookout for "news," he is very keen to collaborate closely with us in all fields. He is an agreeable but rather tiring man, who speaks French and English fluently. His wife is nice, too. (Written in 1948.)

Holy See

Mgr. Alcide Marina, Nuncio (24th June, 1947).

*An experienced Vatican diplomatist. He has been Papal Representative at Tehran and Angora, whence he came here direct. He is, I believe, about 64 years of age and well preserved. He makes an excellent impression and, judging by what he said when we met for the first time, I should imagine that he will exert a very wholesome influence among the Christians here, some of whom are inclined to look back with longing to the days when they enjoyed foreign protection. (Written in 1947.) I have found him very co-operative and helpful. He makes a good and dignified doyen. (Written in 1948.)

Iraq

M. Abdul Munim Gailani, Chargé d'Affaires, a.i. (20th May, 1949).

Has served in London and Washington for a good many years and seems to be out of touch with the affairs of his own country. He is alert and, I should imagine, capable of considerable activity given the opportunity. He has nice manners and a pleasant wife.

Italy

Dr. Adolfo Alessandrini, Minister (9th August, 1947).

*Like so many Italians, he declares that he definitely disapproved of the war and so got posted to Switzerland, where he married the daughter of the Spanish Minister, whose wife was, I understand,

English. They are a very friendly couple and he is pathetically anxious to make himself agreeable to, and to co-operate with, the British. Both speak fluent English. (Written in 1947.)

He has been at greatest pains to cultivate the Minister for Foreign Affairs, who is much attracted by all things Latin, and has been working hard on him in connexion with the future of the Italian colonies. Whatever else he may or may not be, he is a good Italian, which is to his credit.

Mexico

M. Salvador Pardo Bolland, Chargé d'Affaires, a.i. (10th April, 1949).

An agreeable young man who speaks fluent English. He is very friendly and tells me that, like the Minister who has gone, he has difficulty in finding enough work to keep him pleasantly occupied, but he enjoys himself with his nice wife, who is half American, and children on the beach and socially.

Persia

M. Zainal Abedine Rahnema, Minister (25th October, 1946).

Also accredited to Syria.
*A nice little, earnest man who, I believe, owns a newspaper in Tehran which is now edited by his son. Has some reputation locally as a man of letters. He is a well-informed colleague and very co-operative. He has a probably nice wife, who is unfortunately a very indifferent linguist. (Written in 1947.)

Poland ("London Government")

M. Zigmunt Zawadowski, Minister (17th August, 1944).

*Until the enforced dissolution in July 1945 of the Government which he claims to represent, M. Zawadowski enjoyed a good position here, partly because the Lebanese were grateful to Poland for being the first country, after Great Britain and France, to recognise their independence. Since then his position has become increasingly equivocal, for, although he is still recognised by the Lebanese Government and continues to enjoy full diplomatic privileges, he is like a general without an army, as the whole of his staff have been absorbed into the Polish Welfare Organisation, which is run under my auspices on behalf of the Treasury Polish Committee. M. Zawadowski (who is, technically speaking, the doyen of the Diplomatic Corps in the Lebanon) has expressed his intention to fly his flag till the last, and has declined to be absorbed into the welfare organisation and receives no funds from us. (Written in 1947.)

The Polish colony, which has now been reduced by resettlement elsewhere to about 1,500, will, it is hoped, be further reduced. When that problem has been liquidated it remains to be seen whether the Lebanese Government will continue to recognise M. Zawadowski in a personal capacity or not. At any rate, he is very grateful to His Majesty's Government for what they have done and are doing for the Poles here.

Saudi Arabia

Said Bey el Rashash, Chargé d'Affaires (11th December, 1946).

A Damascene whom I knew at Bagdad where, as here, he was always very friendly and, generally speaking, co-operative, making great play of the relations between his sovereign and His Majesty's Government. He is rather a bore and does not enjoy a very savoury reputation, though he is quite civilised externally. He speaks English and French. His wife, who does not circulate, is Turkish.

Soviet Union

M. Daniel Solod, Minister (1st October, 1944).

Also accredited to Syria.

*Very civilised and superficially frank and friendly. Until the arrival of the Nuncio he performed the functions of doyen of the Diplomatic Corps with amiable dignity. He is about 40 and a Ukrainian.

He has a nice wife and two children. Mme. Solod rarely accompanies her husband to social functions and has told my wife how much she resents being treated as something quite unusual just because she is a Russian. Both speak French. (Written in 1947.)

Spain

Don Joaquin del Castillo y Caballero Marquis de Castro-Torres, Minister (12th May, 1949).

Also accredited to Syria.

A nice affable man who does not expect to have very much to do here and looks forward to the shooting season in Syria. He is well disposed and was at one time Consul at Newcastle-on-Tyne. He speaks French and rather bad English. He is expecting to be joined by his wife and at least three of their five children before long.

Switzerland

M. Henri Blanchard, Chargé d'Affaires (2nd July, 1942).

*A very pleasant young man whose duties are, I should imagine, chiefly of a consular and commercial nature. He has an agreeable and decorative wife (Lebanese). (Written in 1947.)

Transjordan

M. Farhan Bey Chbeilat, Minister (6th March, 1948).

*A nice and genuinely friendly little man who makes a very good impression, being dignified and well balanced in his judgment. He was First Secretary in the time of his predecessor on whom he is a great improvement. He speaks fluent English and is married. (Written in 1948.)

Turkey

M. Celal Osman Abacioglu, Minister (3rd May, 1945).

*A hypochondriacal Turk of the old school. He is rarely seen without a greatcoat even on a hot day and is pompously formal. Is given somewhat to speechifying in the course of private conversation.

He and his rather dim wife are most friendly. (Written in 1947.)

He is a good colleague but one of those who is more apt to seek than to impart information. I like him.

United States

Mr. Lowell Pinkerton, Minister (26th February, 1947).

*Having served in London, Australia, New Zealand, &c., this is his first post outside the British Empire. He was, I believe, eight years Consul-General at Jerusalem before coming here. He is very friendly and co-operative, and, I think, utterly reliable. He has a nice wife. (Written in 1947.) He is an admirable colleague and though not personally in sympathy with the Zionist policy of his Government, has comported himself with great dignity and has had no difficulty in retaining the respect and affection of the Lebanese officials.

Yugoslavia

M. Lazar Lilitch, Chargé d'Affaires, a.i. (9th April, 1949).

A nice little man with an apparently nice wife. He speaks a little French. But I have not seen much of them yet.

Ministers accredited to the Lebanon but resident elsewhere

Afghanistan

Gholam Yahia Khan Tarazi (3rd August, 1948).
Bagdad.

Greece

M. Georges Triantaphyllidis (18th June, 1947).
Cairo.

Norway

M. Francis Irgens (15th November, 1949).
Cairo.

Saudi Arabia

Sheikh Abdul Aziz Ben Zeid (16th February, 1945).
Damascus.

Sweden

M. Widar Bagge (18th June, 1947).
Cairo.

Switzerland

M. Secretan (15th November, 1948).
Cairo.

while the "Gentleman's" Agreement subsequently made between Syria and the Lebanon, pending the conclusion of a more permanent agreement, served to maintain the common customs union, considerable tension arose on several occasions which threatened complete separation. In this connexion I have the honour to invite a reference to Mr. Dundas's despatch No. 116 (89/110/49) of 22nd September.

3. The main features of the Agreement are:—

(a) An assurance by Syria to supply the Lebanon with her wheat, barley and flour requirement instead of the latter being dependent on meeting deficiencies from other outside sources. By virtue of a recent Legislative Decree (No. 5 of 30th June), a copy of which is enclosed, the Syrian Government is to control the purchase of wheat for export, and, according to a press announcement, has fixed the price ex-farm at £Syr.150 per ton, and the price delivered f o.b. port at £Syr. 250 per ton, which is more in line with the world market price. Last year the Syrian Government demanded and obtained £43 per ton.

(b) An adjustment of import duties on cotton, artificial silk yarns and piece-goods, and other goods which are not specifically mentioned in the Agreement. The tariffs proposed in article 3 will require careful investigation as direct comparison with the existing import tariff is difficult due to the new classification adopted, although the Syrian producers of cotton woven materials claim that the tariffs now proposed for the imported article will mean a reduction of about 50 per cent.

(c) It would seem that the provisions of article 5 are intended as an alternative to limiting the import, on a quota basis, of certain non-essential commodities, a policy strongly favoured by Syria but which the Lebanon declined to consider. This has been the main stumbling block to an earlier agreement being reached in the very protracted negotiations.

(d) The undertaking of the two Governments to take effective measures to suppress the present disparity between the two currencies, which

for some considerable time varied between 1 per cent. and 3 per cent. In the course of the last few months the disparity widened and at one time was as much as 14 per cent. in favour of the Lebanese pound, but within two days of the Agreement being signed it narrowed to 4 per cent.

4. No reference is made to the percentage division of the common interests revenue from customs receipts—at present 44 per cent. for the Lebanon and 56 per cent. for Syria—but it would seem, as indicated in the concluding paragraph of the present Agreement, that this is to be a matter for agreement at a later date.

5. I am sending copies of this despatch to His Majesty's Representative at Beirut, the Commercial Relations and Exports Department, Board of Trade, and to the British Middle East Office, Cairo.

I have, &c.

M. G. C. MAN.

Enclosure 1 in No. 5

Syro-Lebanese Economic Agreement

(Translation)

Having regard to the fact that the Syrian Government transmitted to the Lebanese Government a memorandum dated 5th June, 1949, containing proposals for the reorganisation on a new basis of the economic relations between the two countries.

Having regard to the fact that the examination of these proposals and the formulation of the necessary measures would clearly take a long time and would necessitate statistics which do not at the moment exist.

Having regard to the fact that several questions pending between the two countries must in the common interest be solved without delay.

The present agreement has been reached between his Excellency M. Hassan Jabara, Minister of Finance and National Economy, representing the Syrian Government, and his Excellency M. Phillippe Tacla, Minister of National Economy and Minister of Finance *par interim* representing the Lebanese Government.

ARTICLE I

The decree suspending the application of customs duties on wheat, barley and their derivatives is cancelled. These items will

E 8976/11388/89

No. 5

Syro-Lebanese Economic Agreement

Mr. Man to Mr. Bevin. (Received 22nd July)

(No. 102 E)

Sir,

*Damascus,
18th July, 1949.*

I have the honour to transmit to you herewith a translation of the text of the Syro-Lebanese Economic Agreement, as published in *La Voix de Syrie* which was signed at Shtaura, Lebanon, on 8th July. The text as published in the Lebanese press—*Le Jour* and *Le Commerce du Levant*—apart from minor differences in the word-

ing is substantially the same in sense. A translation of the official version will be forwarded in due course when it appears in the Syrian Official Journal.

2. It will be recalled that economic relations between the two countries have been strained since March 1948, when Syria refused to be a signatory to the Economic and Financial Agreement concluded between the Lebanon and France, and that

be subject to a 50 per cent. customs duty, with the exception of such quantities of wheat, barley and flour as the Lebanese Government shall import itself or for its own account for feeding its own population should

- (a) there be an insufficient harvest in Syria and the Lebanon, or
- (b) should there be inflated prices in the two countries.

The Syrian Government undertakes to ensure delivery of wheat, barley and their derivatives to the Lebanon free of all hindrance or taxes. In view of the wheat exports monopoly which the Syrian State has reserved to itself acting on its own account or through the offices of a third party (by virtue of Legislative Decree No. 5 dated 30th June, 1949), the Lebanese Government will for its part prohibit the export of wheat outside the frontiers of the customs union existing between Syria and the Lebanon.

ARTICLE 2

Normal customs duty will be imposed on Egyptian rice except for a quantity of 2,500 tons to be imported by the Lebanon under contracts concluded between the Lebanese Government and certain commercial firms prior to the date of the present agreement.

ARTICLE 3

The *ad valorem* duties in yarns, cotton materials and artificial silk materials are replaced by specific duties on each class of goods on the following basis:—

- (1) 75 piastres per kilog. on cotton yarn No. 1/12. Duties on other yarns will be fixed in proportion to the difference in price existing between the latter and the category mentioned above.
- (2) 150 piastres per kilog. on ordinary cloth. Duties on other cotton materials will be fixed in proportion to the difference in price existing between them and ordinary cloth.
- (3) 100 piastres per kilog. on artificial silk yarn "Fibrane."
- (4) Duties on the various types of artificial silk cloths will be graduated from five to ten pounds per kilog.
- (5) On woven material of the type "Job" additional duties, over and above those specified in the previous

paragraphs, will be imposed proportionately to the difference in the price of importation and those of ordinary comparable woven materials.

ARTICLE 4

Non-spun artificial silk yarn as well as artificial cotton of the type "Fibrane" are exempt from customs duties.

ARTICLE 5

The Supreme Council of Common Interests is charged with the study of amendments to be made to the present customs tariff in order on the one hand to suppress or reduce customs duties imposed on raw materials non-existent in the two countries and necessary to industry; on the other hand to increase the duties on manufactured goods in order to protect the industrial production of the two countries, particularly in the case of the basic industries notably the spinning and weaving industries, oil, soap, hides, glass and sugar.

ARTICLE 6

Livestock imported up to the end of 1949 for internal consumption is exempted from customs duties.

ARTICLE 7

The D.H.P. Railway Line is placed under the direction of the Supreme Council of Common Interests. The direction will be unified; a draft Bill will be submitted to both Governments for ratification to ensure that the line is run in the interests of both countries.

ARTICLE 8

The tobacco monopoly remains a common interest. The Supreme Council of Common Interests and the permanent Commission of the Directors of Finance of both countries will retain the prerogatives set out in the existing legislation.

ARTICLE 9

A mixed commission will be formed of the representatives of the Exchange Offices of the two countries to study executive action relating thereto and to draw up a scheme for unification. This scheme for unification will nevertheless respect the right of each of the two countries to make free use of its own foreign exchange. Moreover, exchange control matters will be independent in each country.

ARTICLE 10

Each of the two countries will draw up a schedule of taxes at present in force. An agreement will be concluded for unification of taxes in conformity with the terms and conditions current in the two countries. The tax on sugar will in particular be unified both as to the level of the tax and to the method of collection.

Each of the two countries reserve the right to request the revision of this tariff after unification every six months.

ARTICLE 11

Each of the two Governments will take effective measures in common to suppress the present disparity between the two currencies.

To this end each Government will nominate a senior financial expert to make a careful and rapid study of the question in collaboration with his colleague in the other country. The two experts will submit a scheme suggesting appropriate measures for the solution of the problem.

ARTICLE 12

The two contracting parties are of the opinion that if the eleven preceding articles are such, in present circumstances, as effectively to protect essential industries, hinder the drain of national capital abroad and settle the majority of questions outstanding between the two countries (at a time when they appeared to have a most urgent character), the present agreement will have taken a happy step towards the setting up of a positive basis for the regularising of relations between the two countries and their mutual prosperity.

The two Governments intend to proceed with studies and statistics leading towards a final solution and this in the shortest possible time.

Enclosure 2 in No. 5

Translation from Official Gazette No. 35 of 7th July, 1949

LEGISLATIVE DECREE NO. 5 OF 30TH JUNE, 1949

Entrusting the Ministry of Finance with the purchase of surplus wheat for export from Syria

ARTICLE 1

The export of wheat from Syria shall be entrusted solely to the Government or its agents.

Others may be permitted to export wheat on conditions fixed by a Decision of the Minister of National Economy after approval of the Council of Ministers.

ARTICLE 2

The Ministry of Finance ("Mira" Liquidation Committee) shall be permitted to purchase wheat at current prices for the purpose of exporting it from Syria.

ARTICLE 3

The Ministry of Finance shall fix the buying and selling prices, the kind of currency to be used and the conditions for such transactions, in order to guard against a shortage in the country's internal requirements.

Those who buy wheat from the Government for the purpose of export shall, in all buying transactions, be exempt from fee stamps, municipal fees and from income and contractors' taxes.

ARTICLE 4

The "Mira" Liquidation Committee shall undertake buying and selling operations in fulfilment of contracts approved by the Minister of Finance or other person delegated by him for this purpose.

ARTICLE 5

Funds held by the Treasury shall be used to finance transactions specified in this Legislative Decree. If such funds are not sufficient the Ministry of Finance shall be authorised to obtain loans from banks on condition that such loans be refunded from the price of wheat.

ARTICLE 6

A special account shall be opened for transactions covered by this Legislative Decree and the Ministry of Finance ("Mira" Liquidation Committee) shall be permitted to authorise payment of all the necessary expenses of such transactions.

The balance of this special account shall be transferred to the account of "Mira," which is being liquidated by the "Mira" Liquidation Committee.

ARTICLE 7

The "Mira" regulations in force on 31st May, 1949, shall be applied in carrying out the transactions specified in the preceding articles—in so far as these regulations do not conflict with the provisions of these articles.

ARTICLE 8

Wheat which is exported or attempted to be exported contrary to the provisions of this Legislative Decree shall be considered as contraband.

Contraband wheat shall be confiscated and the offender shall pay a fine of £Syr.25—for every kilog. or fraction thereof, in addition to the penalties specified in the Customs Regulations.

The provisions specified in the Law of Agricultural Products Tax shall be applied in proving cases of contravention, deciding confiscation and fines, agreeing to settlements and in carrying out legal proceedings.

ARTICLE 9

Fuel used by the Government or its agents, in accordance with this Legislative Decree, for the transport of wheat shall be exempt from Government and municipal internal consumption fees.

ARTICLE 10

The Ministry of Finance shall issue instructions for the execution of this Legislative Decree.

ARTICLE 11

This Legislative Decree shall be published and communicated to those responsible for the execution of its provisions.

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